CANADIAN CELLULOSE

COLCEL COLUMBIA CELLULOSE COMPANY, LIMITED 1969 ANNUAL REPORT

VANCOUVER, BRITISH COLUMBIA

COLCEL

COLUMBIA CELLULOSE

THE COVER. Our cover depicts a sign recently installed at Pohle Lumber Operations, Terrace, identifying it as the newest among wood converting mills of Columbia Cellulose Company, Limited. The addition of this sawmill increases our economic utilization of wood resources and is symbolic of the company's orientation towards the future.

COMPANY, LIMITED

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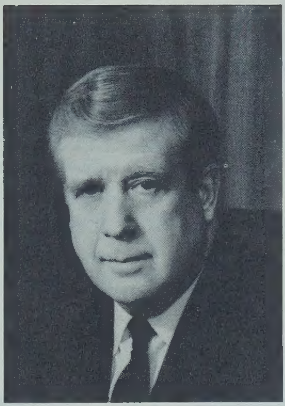
TO THE SHAREHOLDERS:

Twelve months ago, in our 1968 Annual Report, it was stated that "future emphasis will be on profit improvement through cost reduction and productivity increases". This proved to be an accurate prediction for 1969.



For the first time since 1965 your company showed a profit. Pre-tax profit for 1969 was $1,421,000. No net tax provision was required for the year. This profit compares with pre-tax losses of $9,751,000 in 1968 and $16,627,000 in 1967.

For the first time in the company's history net sales exceeded one hundred million dollars, reaching $103,267,000 in 1969 compared to $88,156,000 in 1968.

The year also showed improvements in funds generated by operations. Cash generation was $11,938,000 in 1969, compared to $1,911,000 in the previous year. This is the second consecutive year that the improvement in funds enabled the company to finance operations without outside borrowing, other than normal short-term bank loans.

There was a pre-tax profit improvement of $11,172,000 in 1969 over 1968. A substantial portion of the improvement resulted from cost reductions, greater efficiencies and stabilized production. The balance was attributable to increased sales prices and market selectivity. Operating profit before depreciation in 1969 was $18,994,000, highest in the company's history.

This improvement in performance occurred despite extremely adverse weather conditions in the first quarter, planned technical improvement shutdowns in the third quarter and the effects of a 44-day longshoremen's strike in the fourth quarter.

Production at all operations has been stabilized and productivity has increased. On October 31, 1969 your company purchased the Pohle Lumber Co. Ltd. of Terrace, B.C. as a first step in plans to better utilize wood resources through the use of residuals for pulp fibre. Woods operations in both the North and the Interior showed continued improvement.

Since the improved results for the year were due to broad-based strengthening of all sections of the company's operations, the year 1969 provides us with a running start at the 70's. With the likelihood of continued strong pulp demand, we feel the outlook is promising for the forest products industry and particularly for Columbia Cellulose. The management of your company is exploring opportunities consistent with its development plans. As the company progresses, it needs to integrate forward into the marketplace. In addition, it is also prudent that we investigate other possibilities for the use of our timber in order to add value to this resource and utilize the residuals in the manufacture of pulp.

We wish to thank the management team and the company's employees for their dedication and co-operation during the past year.

On February 10, 1970 Svenska Cellulosa Aktiebolaget (SCA) sold its shareholdings in your company to a subsidiary of Celanese Corporation. The Board of Directors has been changed to reflect the new ownership.

On behalf of the Board,

George W. Scrimshaw
President and Chief Executive Officer

April 17, 1970

COLUMBIA CELLULOSE COMPANY, LIMITED *and its subsidiary companies*

FINANCIAL HIGHLIGHTS

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
EARNINGS – $000										
Net sales	**103,267**	88,156	67,495	64,397	65,530	62,347	56,768	51,907	37,823	26,223
Operating profit (loss) before undernoted	**18,994**	8,888	(1,430)	10,699	16,725	18,652	17,431	14,048	6,995	6,027
Interest charges, net	**6,973**	7,231	7,285	4,313	3,691	3,992	3,886	3,356	2,387	899
Depreciation, amortization, depletion	**10,600**	11,408	7,912	6,944	6,290	6,241	5,814	5,625	3,940	3,056
Pre-tax earnings (loss)	**1,421**	(9,751)	(16,627)	(558)	6,744	8,419	7,731	5,067	668	2,072
Net earnings (loss)	**1,421**	(9,478)	(10,776)	(731)	3,524	4,259	4,204	3,929	(581)	2,072
Cash generated by operations	**11,938**	1,911	(6,838)	6,217	12,339	12,875	11,683	10,807	4,264	5,160
ASSETS AND LIABILITIES – $000										
Working capital	**20,625**	24,403	29,553	20,547	34,234	19,410	18,687	19,353	14,288	11,768
Fixed assets – at cost	**237,192**	227,386	225,436	220,590	170,478	139,095	130,450	123,185	118,347	107,584
net	**161,600**	159,939	167,802	168,217	123,669	98,202	94,069	91,899	91,838	85,002
Long-term debt	**102,869**	105,379	125,552	114,325	105,358	61,792	61,842	61,973	43,501	34,138
Common equity	**38,936**	38,994	33,812	45,584	47,311	46,042	43,608	41,278	38,049	39,329
EARNINGS STATISTICS										
Earnings per common share – $	**.04**	(1.04)	(1.60)	(.23)	.37	.53	.51	.44	(.17)	.23
Cash flow per common share – $	**1.04**	.05	(1.07)	.71	1.56	1.69	1.52	1.37	.48	.65
Return on common equity capital employed	**1.1%**	(30.2%)	(29.8%)	(3.7%)	5.8%	8.7%	9.0%	8.1%	(3.3%)	4.4%

NET SALES

Colcel's 1969 net sales of $103,267,000 set a new record for the company. This amounted to an increase of over 17% from last year's previous record of $88,156,000, and reflected larger shipments and price increases on most products. Gross billings exceeded $116,600,000, also a record for the company. Improved productivity at the pulp mills was a substantial factor in increased sales volumes.

EARNINGS BEFORE TAXES AND MINORITY INTEREST

Earnings for 1969 reflected the continuance of the two-year turn-around trend of the company. Pre-tax, pre-minority interest results for 1969 were a profit of $1,421,000 as compared to respective losses of $9,751,000 in 1968 and $16,627,000 in 1967. No net consolidated tax provision was required in 1969. The improvement in 1969 was due to increased productivity, cost reductions, selective marketing and increased pulp prices; offset in part by technical improvement shutdowns, adverse weather conditions and the longshoremen's strike.

CASH GENERATION FROM OPERATIONS

Cash generation from operations continued to improve principally as a result of improved profits. On an earnings per common share basis, cash generated from operations was $1.04 per share in 1969 as compared to $0.05 per share in 1968 and, in 1967, a loss of $1.07 per share.

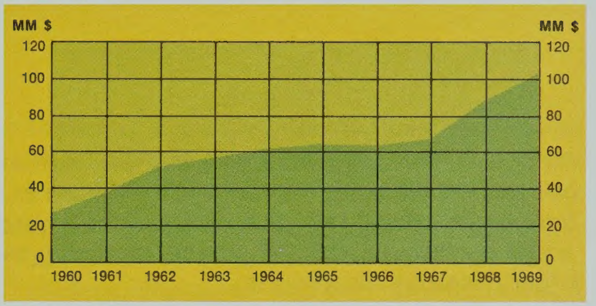
PROPERTY, PLANT AND EQUIPMENT

With 1969 expenditures of $10,869,000 for plants and acquisitions, gross assets, including land, reached $237,192,000 by the end of the year. Annual charges to income for depreciation, depletion and amortization were $10,600,000. Accumulated charges amounted to $75,592,000 leaving net fixed assets of $161,600,000.

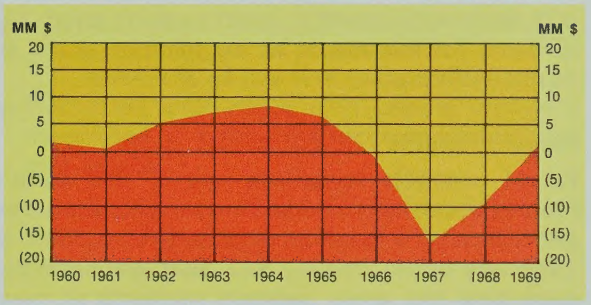
LONG-TERM DEBT

Long-term debt decreased from $105,379,000 at the end of 1968 to $102,869,000 as at December 31, 1969. The net change reflects the payment on January 2, 1969 of U.S. $4,000,000 to the holders of Celgar 6⅛% First Mortgage bonds, partially offset by acquisition agreements.

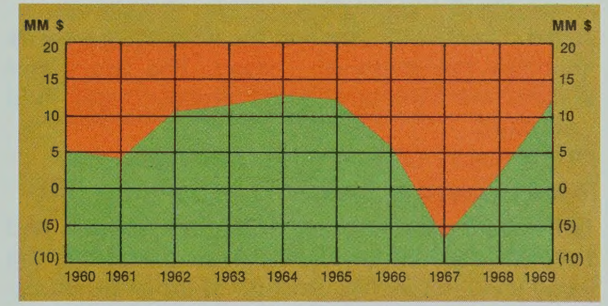
NET SALES



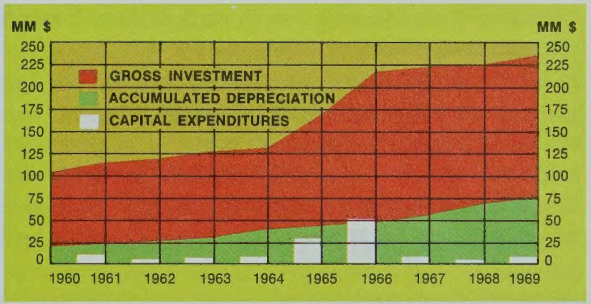
EARNINGS BEFORE TAXES AND MINORITY INTEREST



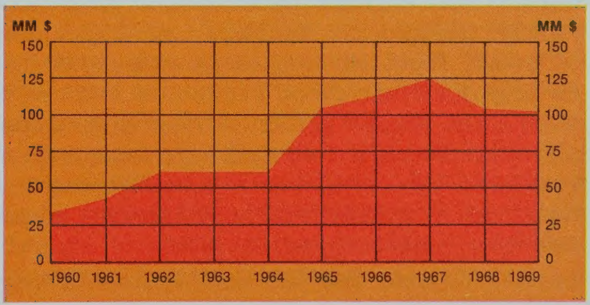
CASH GENERATION FROM OPERATIONS



PROPERTY, PLANT AND EQUIPMENT



LONG-TERM DEBT



COLCEL

Continuous improvements throughout the company characterize the position of Columbia Cellulose as it finishes its second year of a decisive turn-around. Added to this are steadily growing demands and better prices for our products.

Your company's future growth is closely associated with world-wide growth in forest products supply and demand. For this reason an examination of the industry and our place in it will be of interest.

Forest Products

Forest products constitute one of the world's major industries ranking in size with steel and petroleum. The total value of forest products in 1966 was approximately $47 billion, an amount exceeding the gross national products of most countries of the world.

It is a diverse industry knit together mainly by its common raw material – wood. The two major sectors are structural wood products and pulp and paper.

Wood Resources

Softwoods, such as pine, fir, spruce, balsam and hemlock account for almost three-quarters of the wood used in the manufacture of forest products. In the Free World this industry is primarily located in Scandinavia, the United States, Eastern Canada and Western Canada.

In the past, Scandinavia has been a major supplier of forest products to Western Europe. Now its wood resources are not able to support the addition of new major pulp-producing complexes and it has become an importer of logs.

The southern United States pulpwood industry showed a spectacular growth for many years because the available timber species had higher density than northern varieties and grew more rapidly; and because there was a plentiful supply of labour. These advantages are now minimized as large-scale harvesting techniques improve in other areas. A great portion of the pulpwood supply in the South is collected from thousands of small privately-owned woodlots scattered over a wide area. Private ownership and growing labour problems hamper expansion plans.

Eastern Canada and the northeastern United States have similar operations. Pulpwood harvesting is carried out principally by major pulp and paper companies on large tracts of land. However, in Canada forest lands are primarily government-owned and cutting rights are granted to the operator; in the northeastern United States, forests are generally privately owned. The bulk of eastern production is in second growth smaller logs which require higher handling costs per unit of wood. Mechanical logging is not as developed as in the northwestern region.

Western Canada and the northwestern United States are the only Free World producing areas with large old-growth forests. Operations are highly mechanized and log lengths in excess of twenty feet are common. Labour is strongly organized with wage rates among the highest in the industry. Overhead costs are high due to the need to maintain extensive networks of roads, logging camps and heavy equipment. However, a competitive position is maintained in spite of these heavy costs because of the reserves of large trees and the high degree of mechanization. About 50 per cent of the total land area of British Columbia is covered with commercial grade forests containing 73 per cent of the total Canadian inventory of soft woods of 10 inches or more in diameter.

Structural Wood Products

Principal products in this section of the forest products industry are softwood lumber, plywood and particleboard. Residuals (chips) from this section are frequently used in the production of pulp. In western North America, the Free World's major timber source, sawtimber is being cut at a faster rate than it is growing and is consequently being depleted. Thus, even though demand for lumber is expected to increase only moderately due to competitive non-wood products, demand on British Columbia sawtimber reserves will be substantially heavier.

Paper Grade Wood Pulp

Paper grade wood pulp consumption in countries outside the Iron Curtain in 1967 was approximately 86 million tons. Of this total, 20 million tons consisted of bleached and semi-bleached kraft pulp – the principal product of Columbia

Cellulose. Much of the 20 million tons of kraft pulp was produced at integrated pulp and paper mills, which means that the pulp was not available for the open market.

Production of open market pulp totalled some 6.5 million tons and was supplied by: Canada, 2.7 million; the United States, 1.8 million, and Scandinavia, 2.0 million.

Consumption of bleached and semi-bleached kraft pulp is forecast to grow from 20 million tons in 1967 to 48 million in 1980. Canada will be a major source of wood pulp because of its vast resources. Neither Scandinavia, with decreasing resources, nor the United States, with increasing consumption, will seriously challenge the Canadian position. Projections for the mid-1970's show the market for Canadian bleached and semi-bleached sulphate pulps will grow to 5.0 million tons from 2.7 in 1967.

Colcel

Columbia Cellulose has a solid position in the forest products industry because:

— it is located in the heart of the Western Canadian forest region.

— it has timber resources near its mills to meet projected demands.

— it is a market pulp producer whose output is uncommitted and may sell its products in the most attractive markets. (In 1968, the company's sales equalled 10.3 per cent of total Canadian exports of bleached and semi-bleached pulps.)

— its mills are advantageously located to principal pulp markets. The Interior mill is located approximately 20 miles from the United States border with fast and direct rail service to all parts of this large, duty-free market. The Northern mill is located on an ice-free port which is the nearest major North American port to the Far East, and which enjoys favourable freight rates to Europe.

— its modern production facilities are in place, and operating efficiently.

Geared for Growth

During the past year, Columbia Cellulose has developed a strong base for growth by:

— achieving a greatly improved cash generation which should continue to increase, thereby providing means for corporate development.

— adding to the strong management team dedicated to the generation of profit for stockholders, employees, and communities in which it operates.

— installing profit improvement and cost reduction programmes.

— stabilizing production with capital additions completed or in progress for increased volume and quality.

— initiating better utilization of wood resources through the purchase of Pohle Lumber Co. Ltd. of Terrace, B.C.

— better management of its woods areas through improved falling, handling and transportation methods.

— study of, and attention to, pollution and environmental control programmes.

— developing new pulp grades for specific markets and improving product quality.

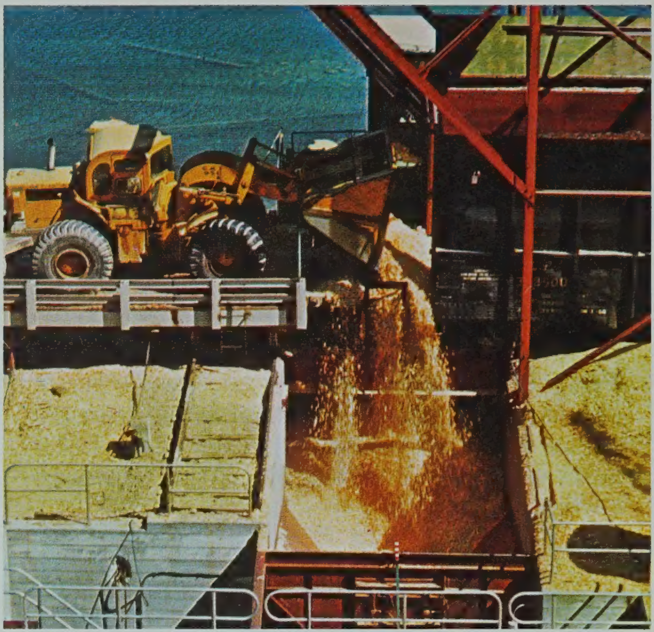
The Future

Columbia Cellulose Company, Limited will capitalize on the beneficial position which it now enjoys in forest resources. Improving profits and cash generation will enable it to follow the natural developments of forward integration and better utilization of timber holdings.

Pressures on profitability in the industry will continue. Cost reduction innovations will be made, but expectations are that these will merely maintain the status quo. Competition is increasingly centered among large corporations with substantial resources. Companies with strong markets are developing wood supplies while those with good wood resources are seeking strong markets.

All of these factors indicate that Columbia Cellulose's present position as a major market pulp company is enviable and that its objective must be to assure its market position in the future through long-term supply contracts, joint ventures, and forward integration.


Giant equipment handles the basic resource


Rapid chip unloading leads to increased economies


Employees improve job skills in special study courses.

. . . raw resources, human effort, modern machinery

A company's assets and how it organizes them for the future are major determinants of commercial success. Colcel's assets in timber, people and equipment constitute a strong base from which development into a number of profitable areas is possible. The existing organiza-


One of the world's largest facilities for the production of chemical pulps.


Rivers efficiently transport logs


Ammonia storage – first stage of .sulphite modernization

tion, which stretches from British Columbia's southern interior to its northern coast and utilizes the skills of 2600 people, is impressive both by its size and its efficiency. The photos on these pages depict only a few of the total activities that make Colcel one of the world's important suppliers of chemical wood pulps.

This is your company as it is today – eminently capable of significant growth for the future with a potential that has not yet been realized.


Young trees replace harvested timber


Laboratories work on quality, new products

COLCEL

CONSOLIDATED STATEMENT OF EARNINGS

for the years ended December 31, 1969 and 1968

	1969	1968
NET SALES	$103,267,000	$ 88,156,000
Cost of goods sold	79,973,000	75,213,000
Selling, administration and research	4,300,000	4,055,000
Depreciation, amortization and depletion	10,600,000	11,408,000
	94,873,000	90,676,000
OPERATING PROFIT (LOSS)	8,394,000	(2,520,000)
Interest on long-term debt	6,260,000	6,518,000
Other interest, net	539,000	539,000
Exchange loss on repayment of mortgage bonds	174,000	174,000
Earnings (loss) before income taxes	1,421,000	(9,751,000)
Provision for (recovery of) income taxes (Note 6)	780,000	(273,000)
Earnings (loss) before extraordinary item	641,000	(9,478,000)
Income tax reduction (Note 6)	780,000	—
NET EARNINGS (LOSS) FOR THE YEAR	$ 1,421,000	$ (9,478,000)
Earnings (loss) per common share:		
Before extraordinary item	$ (.03)	$ (1.04)
Extraordinary item	.07	—
Net earnings (loss)	$ .04	$ (1.04)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS (DEFICIT)

for the years ended December 31, 1969 and 1968

	1969	1968
Balance at beginning of year	$ (11,047,000)	$ (573,000)
Net earnings (loss) for the year	1,421,000	(9,478,000)
Dividends paid on preferred shares for:		
Current year	(996,000)	(498,000)
Prior year	(498,000)	—
Dividends accrued on preferred shares of subsidiary	—	(498,000)
Balance at end of year	$ (11,120,000)	$(11,047,000)

See accompanying notes to consolidated financial statements.

COLCEL

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the years ended December 31, 1969 and 1968

	1969	1968
SOURCE OF FUNDS:		
Net earnings (loss)	$ 1,421,000	$ (9,478,000)
Provision for depreciation, amortization and depletion	10,600,000	11,408,000
Reduction in deferred income taxes	—	(273,000)
Other	(83,000)	254,000
Funds generated by operations	11,938,000	1,911,000
Other sources:		
Issue of common shares for minority interest in Skeena Kraft Limited	—	15,656,000
Issue of common shares	15,000	—
Disposal of fixed assets	474,000	295,000
Other	505,000	1,399,000
Total funds provided	12,932,000	19,261,000
APPLICATION OF FUNDS:		
Capital expenditures	10,869,000	3,983,000
Reduction of long-term debt	4,216,000	4,273,000
Dividends paid	1,494,000	498,000
Acquisition of minority interest in Skeena Kraft Limited	—	15,656,000
Other	131,000	—
Total funds applied	16,710,000	24,410,000
INCREASE (DECREASE) IN WORKING CAPITAL	(3,778,000)	(5,149,000)
WORKING CAPITAL AT BEGINNING OF YEAR	24,403,000	29,552,000
WORKING CAPITAL AT END OF YEAR	$ 20,625,000	$24,403,000

See accompanying notes to consolidated financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Columbia Cellulose Company, Limited and its subsidiary companies as of December 31, 1969 and the consolidated statements of earnings, retained earnings (deficit) and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia, January 27, 1970. PEAT, MARWICK, MITCHELL & CO., *Chartered Accountants*.

COLCEL

COLUMBIA CELLULOSE COMPANY, LIMITED *and its subsidiary companies*

CONSOLIDATED BALANCE SHEET

ASSETS

	1969	1968
CURRENT ASSETS:		
Cash and short-term bank deposits	$ 6,371,000	$ 6,843,000
Accounts receivable:		
Trade	10,882,000	11,453,000
Other	2,019,000	2,640,000
Subscriptions receivable (Note 7)	2,500,000	2,500,000
Inventories (Note 2)	28,919,000	29,132,000
Prepaid expenses	161,000	68,000
Total current assets	50,852,000	52,636,000
DEPOSITS AND PROPERTY HELD FOR DISPOSAL	381,000	725,000
PROPERTY, PLANT AND EQUIPMENT, AT COST:		
Timber cutting rights, roads and related facilities	30,319,000	24,485,000
Buildings, machinery and equipment	206,042,000	202,360,000
	236,361,000	226,845,000
Less accumulated depreciation, amortization and depletion (Note 3)	75,592,000	67,447,000
	160,769,000	159,398,000
Land	831,000	541,000
Net property, plant and equipment	161,600,000	159,939,000
DEFERRED CHARGES, LESS AMOUNTS WRITTEN OFF (Note 4)	1,936,000	1,905,000
Total assets	$214,769,000	$215,205,000

See accompanying notes to consolidated financial statements.

COLCEL

December 31, 1969 and 1968

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
CURRENT LIABILITIES:		
Bank loans, unsecured	$ 9,275,000	$11,352,000
Accounts payable and accrued charges	12,999,000	9,573,000
Accrued bond interest	2,730,000	2,861,000
Long-term debt due within one year	5,223,000	4,447,000
Total current liabilities	30,227,000	28,233,000
LONG-TERM DEBT (Note 5):		
First Mortgage bonds	88,415,000	92,531,000
6% notes payable to a shareholder	12,148,000	12,148,000
Agreements payable, partly secured	2,306,000	700,000
Total long-term debt	102,869,000	105,379,000
DEFERRED INCOME TAXES (Note 6)	6,489,000	6,351,000
PREFERRED SHARES OF SUBSIDIARY (Note 7)	15,498,000	15,498,000
SHAREHOLDERS' EQUITY (Note 8):		
Capital stock:		
$1.20 cumulative redeemable convertible preferred shares of $25 each Authorized and issued 830,000 shares	20,750,000	20,750,000
Common shares of no par value Authorized 17,500,000 shares; issued 10,530,803 shares	50,026,000	50,011,000
	70,776,000	70,761,000
Contributed surplus	30,000	30,000
Retained earnings (deficit)	(11,120,000)	(11,047,000)
Shareholders' equity	59,686,000	59,744,000
COMMITMENTS (Note 9)		
Total liabilities and shareholders' equity	$214,769,000	$215,205,000

On behalf of the Board:

GEORGE W. SCRIMSHAW, *Director.*

CHARLES C. LOCKE, Q.C., *Director.*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *December 31, 1969*

1. CONVERSION OF U.S. FUNDS:

Current assets and current liabilities in U.S. funds have been converted into Canadian dollars at the rate of exchange in effect at December 31, 1969. The long-term debt payable in U.S. funds, other than the amount due within one year, has been converted at rates prevailing at the time of receipt of the funds.

2. INVENTORIES:

Finished goods have been valued at the lower of average cost or net realizable value. Other inventories have been valued at the lower of average cost or replacement cost. A summary of the inventories is as follows:

	1969	1968
Raw materials	$22,254,000	$18,173,000
Work in process	149,000	124,000
Finished goods	2,340,000	7,606,000
Stores and supplies	4,176,000	3,229,000
	$28,919,000	$29,132,000

3. PROPERTY, PLANT AND EQUIPMENT:

Depreciation on pulp mills and sawmills has been calculated on the straight-line method at 4% on cost and on other assets on the diminishing balance method at varying rates up to 20%.

4. DEFERRED CHARGES:

	1969	1968
Timber reconnaissance	$ 717,000	$ 757,000
Debt financing expense	562,000	622,000
Retirement plan contributions	526,000	526,000
Facilities overhaul in progress	131,000	—
	$1,936,000	$1,905,000

No charge has been made to 1969 earnings with respect to retirement plan costs since there was no decrease in the year in the excess of the pension fund assets over liabilities.

5. LONG-TERM DEBT:

First Mortgage bonds:	
Celgar Limited:	
U.S. $48,000,000 6⅛% First Mortgage bonds due January 2, 1981, with annual sinking fund requirements of U.S. $4,000,000 from 1970 through 1980, less amount included in current liabilities	$45,278,000
Skeena Kraft Limited:	
U.S. $40,000,000 5⅜% First Mortgage and Collateral Trust bonds due July 1, 1985, with annual sinking fund requirements of: U.S. $2,000,000 from 1971 through 1975; U.S. $2,500,000 from 1976 through 1980; U.S. $3,500,000 from 1981 through 1984	43,137,000
	$88,415,000

The First Mortgage bonds of Celgar Limited and Skeena Kraft Limited are secured by a fixed and floating charge on the assets of those companies, the net book values of which at December 31, 1969 amounted to $141,666,000 and $72,401,000, respectively.

The Trust Deeds securing the bonds of Celgar Limited and Skeena Kraft Limited provide that these companies cannot declare or pay dividends, other than stock dividends, or reduce their capital stock, except to the extent of 80% of their consolidated net profit from January 1, 1961 and January 1, 1969, respectively.

The U.S. $11,250,000 ($12,148,000 Canadian) 6% notes issued by another subsidiary are repayable in annual instalments of U.S. $2,519,500 from 1971 through 1974 with the balance of U.S. $1,172,000 due in 1975. Under certain conditions repayment of up to U.S. $10,078,000 of these notes may be deferred to 1977 and up to U.S. $1,172,000 to 1980.

6. INCOME TAXES:

Depreciation will be claimed for income tax purposes for 1969 in amounts sufficiently in excess of that recorded in the accounts to eliminate current taxable income, and the provision for income taxes represents taxes that would otherwise be payable for the year. This amount is included in "Deferred income taxes" in the balance sheet. In future years when depreciation recorded in the accounts may exceed that allowable for tax purposes, the tax on those excess amounts will be charged against deferred income taxes and not against income of those years.

In light of improved mill operations and increases in the price of pulp, it is virtually certain that at least $1,550,000 of prior years' losses of a subsidiary, Skeena Kraft Limited, will be claimed against taxes of future years and accordingly a tax benefit of $780,000 has been reflected in the consolidated statement of earnings as an extraordinary item and reflected as a reduction in deferred income taxes in the balance sheet. There remains approximately $10,400,000 of such tax benefits to be applied against the provision for income taxes in future years.

7. PREFERRED SHARES OF SUBSIDIARY, CELGAR LIMITED:

Shares issued	$12,500,000
Shares subscribed for, allotted but not issued	2,500,000
	15,000,000
Accrued dividends to June 30, 1968	498,000
Total	$15,498,000

Dividends in arrears on these 7% preferred shares at June 30, 1968 of $498,000 are not payable until June 30, 1980. Dividends are non-cumulative for the period July 1, 1968 to December 31, 1970 but cumulative thereafter. The shares are redeemable by the company at any time provided certain restrictions are complied with, but in any event are redeemable on June 30, 1980. The holder, subject to certain restrictions, may require the company to redeem varying numbers of shares at par after June 30, 1975. The holder also may exchange them at par for 7% debentures having substantially the same terms.

8. SHARE CAPITAL:

The $1.20 cumulative redeemable convertible preferred shares of the company are redeemable at the option of the company at any time at $26 per share, plus accrued dividends. The holders of such shares are entitled to convert each $1.20 preferred share into two common shares at any time prior to April 1, 1975. At December 31, 1969, 1,660,000 unissued common shares were reserved for the conversion of the preferred shares.

Changes during 1969 in options outstanding under the company's 1963 common stock option plan, as amended in 1969, for officers and employees were as follows:

	Number of Shares	Prices per Share
Options outstanding at December 31, 1968	36,500	$3.25—8.00
Options granted	40,500	6.25
	7,000	7.00
	28,500	8.00
	76,000	
Options exercised	(2,000)	7.25
Options cancelled	(23,100)	3.25—8.00
Options outstanding at December 31, 1969	87,400	$3.25—8.00

The options expire at different dates to December 31, 1979 and are exercisable after one year from the date granted to the extent of 20% per year on a cumulative basis. Unallocated shares under the plan totalled 159,800 at December 31, 1969.

The authorized share capital of the company also includes 2,500,000 7% cumulative redeemable preferred shares of $2.00 par value per share. These shares have been issued and redeemed.

9. COMMITMENTS:

At December 31, 1969, capital commitments amounted to approximately $700,000 and annual rental obligations, mainly for logging machinery, equipment and office premises under long-term leases amounted to approximately $1,450,000 in 1970, $1,300,000 in 1971, $1,100,000 in 1972, $1,000,000 in 1973, $850,000 in 1974 and at reducing amounts year by year to 1985.

10. REMUNERATION OF OFFICERS:

Remuneration of directors and officers amounted to $398,000 in 1969 as compared to $300,000 in 1968.

BOARD OF DIRECTORS

William R. Clerihue
Vice President and Treasurer, Celanese Corporation

Robert L. Dietrich
Vice President, Celanese Corporation

James Scott Hill
Vice President, Secretary & General Counsel, Celanese Corporation

Gay V. Land
Vice President, Celanese Corporation

Charles C. Locke, Q.C.
Partner of the Vancouver law firm of Ladner, Downs, Ladner, Locke, Clark & Lenox

William T. Marx
Executive Vice President, Celanese Corporation

George W. Scrimshaw
President and Chief Executive Officer, Columbia Cellulose Company, Limited

Hon. James Sinclair
Chairman of the Board, Lafarge Canada Ltd.

Leslie Susser
Senior Attorney, Celanese Corporation

COLCEL COLUMBIA CELLULOSE

OFFICERS

William T. Marx
Chairman of the Board

George W. Scrimshaw
President and Chief Executive Officer

Ronald M. Gross
Senior Vice President and Secretary

Francis X. Guimond
Senior Vice President of Operations

Charles A. Muñana
Senior Vice President

H. Christian Joergensen
Vice President, Logging and Forestry

Frederick Slocum
Vice President and Controller

Ian Watson
Vice President, Manufacturing

Alan K. Wilkinson
Assistant Treasurer

OPERATIONS

Orjan Burchardt
Vice President, Interior Pulp Operations

Robert E. Davis
Manager, Pohle Lumber Operations

Ronald R. Jordan
Vice President, Northern Woods Operations

G. C. Lloyd
Manager, Interior Woods Operations

Gordon R. McLachlin
Manager, Interior Lumber Operations

TRANSFER AGENTS

COMMON

Montreal Trust Company – *Vancouver, Toronto, Montreal*

Bankers Trust Company – *New York*

PREFERRED

The Royal Trust Company – *Vancouver, Toronto, Montreal, Winnipeg and Halifax*

REGISTRARS

COMMON

The Royal Trust Company – *Vancouver, Toronto, Montreal*

The Chase Manhattan Bank – *New York*

PREFERRED

The Royal Trust Company – *Vancouver, Toronto, Montreal, Winnipeg and Halifax*

STOCK LISTINGS

VANCOUVER, TORONTO AND
MONTREAL STOCK EXCHANGES

AUDITORS

PEAT, MARWICK, MITCHELL & CO., *Vancouver*

REGISTERED OFFICE

1200 - 1111 WEST HASTINGS STREET,
VANCOUVER 110, B.C.

COLUMBIA CELLULOSE COMPANY, LIMITED

COVER STOCK – PROVINCIAL KROMEKOTE*
*Registered Trademark

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